

ICI Urges Education, Advice to Help Retirees, July 2008

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Help Shareholders with Decisions on Asset and Income Management

Washington, DC, July 17, 2008 - The Department of Labor should build upon the success of the 401(k) system by providing workers and retirees with additional access to advice and education to help guide them through their individual decisions on managing assets and income in retirement, the Investment Company Institute testified before a working group of the Department of Labor's ERISA Advisory Council.

In its testimony, ICI highlighted research that shows retirees are good stewards of their retirement accumulations. The research also finds that retirees often consult financial advisers, written and on-line information, and financial software tools when deciding how to manage their defined contribution plan assets at retirement.

"Individuals have vastly different needs for retirement asset and income management, and different products are designed to meet these needs," Sarah Holden, ICI's Senior Director of Retirement and Investor Research, reported to the Advisory Council. "How they choose to use their retirement assets depends on a number of factors including age, health, and personal and family needs." The Department of Labor should foster the development of education and advice programs to help people weigh these factors and make sound decisions at retirement.

As defined contribution plans have emerged as the primary vehicle for workplace retirement benefits, policy-makers are beginning to focus on how to help participants effectively manage their defined contribution plan assets after retirement. The Advisory Council's Working Group will focus upon the types of guidance that could help employers and workers make distribution decisions at retirement. The results of the study will be sent to the Secretary of Labor.

ICI recommends that the Department of Labor should adopt regulatory policies to facilitate greater use of advice programs and further development of educational materials. In addition, ICI encourages the Department, itself, to develop additional educational materials and tools, and make them available electronically.

"These recommendations are based on the fundamental tenet that the decision of how to take a distribution at retirement is highly individualized," Holden noted in her testimony. "Investors must consider their own personal circumstances and the objectives, limitations, and cost of the options available. The Department of Labor should continue to build upon its efforts to educate individuals about saving and investing, to include materials on making retirement distribution decisions."